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SUBJECT: LABOR SECRETARY CHAO MEETS YIN WEIMIN, MINISTER OF
HUMAN RESOURCES AND SOCIAL SECURITY, AUGUST 22, 2008

(U) This cable is Sensitive but Unclassified. Please
protect accordingly.

11. (SBU) SUMMARY: Secretary of Labor Elaine Chao met with Ministry of Human Resources and Social Security (MOHRSS) Minister Yin Weimin on August 22, 2008. Secretary Chao said she was honored to serve as head of the Presidential Delegation to the Closing Ceremonies of the Olympic games, and expressed her condolences for the May 2008 Sichuan earthquake. The Secretary and Minister both said they valued the productive relationship between their two agencies. Yin said MOHRSS looks forward to continued cooperation, which benefits the two agencies and contributes to constructive bilateral relations. Yin described the reorganization of his Ministry, and named implementation of new labor legislation, reforming the civil service system and the social safety net, and supporting post-earthquake relief efforts in Sichuan Province as MOHRSS's main immediate priorities. Yin said he saw no conflict between China's policy push to develop an innovation economy and the need to maintain job opportunities for China's still largely unskilled labor force. He outlined policies to retrain the work force for the high technology and service sectors, and to better protect the rights and interest of migrant workers. Yin said MOHRSS will create a new national labor inspection department which will enhance the Ministry's ability to deter child labor and other violations of labor laws and regulations. END SUMMARY.

12. (U) Secretary of Labor Elaine L. Chao met with Chinese Minister of Human Resources and Social Security (MOHRSS) Yin Weimin on August 22, 2008. The following MOHRSS officials were present: Vice Minister Wang Xiaochu, Vice Minister Hu Xiaoyi, Director General (DG) Yin Chengji, DG Qiu Xiaoping, DG Zhang Yali, and Hao Bin, Zhao Hui (interpreter), Li Feixia and Ren Xiuli from the MOHRSS International Cooperation Department. United States participants included Amb. Clark T. Randt, Department of Labor (DOL) Associate Deputy Secretary Anna Hui, DOL Deputy Assistant Secretary Jennifer Cox, Special Assistant to the Secretary Alden Sanborne, Embassy Labor Officer Bruce Levine and Embassy Interpreter James Brown. This was Sec. Chao's first opportunity to meet Minister Yin since his appointment as MOHRSS Minister in March 2008.

13. (SBU) Secretary Chao told Yin she was honored to serve as head of the Presidential Delegation to the Closing Ceremonies of the Olympic Games. The Secretary and Minister both said they valued the productive relationship

between their two agencies, and under the DOL's six active letters of understanding on bilateral cooperation with its Chinese counterparts. Secretary Chao said she saw China's new Labor Contract Law and Labor Dispute Mediation and Arbitration Law as concrete achievements of United States-China cooperation, and said the United States is happy to share its experience in labor standards enforcement and social insurance.

14. (SBU) Minister Yin said MOHRSS is deeply satisfied with the relationship with DOL and looks forward to continued cooperation. This not only benefits the two agencies, he said, but also contributes to constructive bilateral relations. Minister Yin said the United States and China have much to learn from each other about dealing with the challenges created by economic globalization. Minister Yin said China has become progressively more integrated into the globalizing world economy over the past 30 years, and seeks to maintain a close and cooperative relationship with the United States, regardless of who wins the United States election this year. He noted that China and the rest of the world depend on each other, and the concept of a "China threat" makes no sense to anyone who understands China's history and culture.

The Creation and Mission of MOHRSS

15. (SBU) Minister Yin described the creation of MOHRSS through the merger of the former Ministry of Labor and Social Security and Ministry of Personnel. He said it was part of a government-wide effort to improve operational

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efficiency and provide better service. Primary functions of the new Ministry include promoting job creation, fostering harmonious labor relations, improving China's social safety net, and carrying out reform of the Civil Service. China has 7 million civil servants, Yin said, plus another 30 million employees of public service institutions (Shiye Danwei). These employees are regulated by a labor relations system and covered by a social safety net that is separate from those that apply to employees of enterprises. One of MOHRSS's goals, Yin said, is to integrate all employees in China in to a unified system. Yin added that MOHRSS was also looking to even out wage distribution between the public and private sector.

16. (SBU) Minister Yin said MOHRSS is carrying out the Government's "people first" (yi ren wei ben) and "scientific development concept" (kexue fazhanguan) policies by promoting more stable labor relations and improving China's social safety net. He stressed that China is still a developing country and faces a challenge creating employment for a workforce of 700 million and providing a social safety net for 1.3 billion people. For 2008, alone, he said, his Ministry sought to ensure the creation of 10 million new jobs. Yin said in 2008, China will have to create jobs for 5.9 university graduates and 6 million graduates of vocational high schools. Minister Yin said China has kept its unemployment rate below 4.5%. (Note: this "registered unemployment" rate only captures registered urban residents who have applied for unemployment benefits. It does not count migrant workers, underemployed urban and rural workers, or the informal sector. End note.) Minister Yin said China wants to have a social safety net that covers all citizens in rural and urban areas by the year 2020.

17. (SBU) Minister Yin said that China is in a phase of deepening its reforms, establishing the rule of law and building democracy. On labor relations, Yin said MOHRSS's most pressing task was to implement effectively the Labor Contract Law, which took effect on January 1, 2008. The State Council is still drafting implementing regulations for the law, he said. To help implement China's new labor

legislation and better protect the rights and interests of workers, Minister Yin said MOHRSS is also organizing an enhanced, national-level labor inspection department. Minister Yin added that the Chinese people's legal awareness is growing, a sign that China will develop on the right track.

18. (SBU) Secretary Chao complimented MOHRSS on its smooth and rapid reorganization, noting how difficult United States Government agencies have found similar reorganizations. The Secretary said MOHRSS's efforts to enhance China's labor dispute mediation and arbitration system is important work that requires special skills and great patience.

Migrant Workers and the Urban Rural Divide

19. (SBU) Secretary Chao asked Minister Yin how China is addressing the issues of internal migrant labor and Urban-Rural economic disparities. Minister Yin said MOHRSS estimates that China now has 170 million migrant workers, and that 9 million new workers from rural areas enter the urban work force each year. He said that despite China's rapid economic growth, there remain sharp disparities between urban and rural areas, and even between different urban areas and rural areas in different parts of the country. China is working to build up rural areas through its "New Socialist Countryside" program, as well as special social safety net and educational initiatives for rural areas. However, Minister Yin did acknowledge that much higher incomes in urban areas provided a great incentive for rural labor to migrate to the cities. A rural resident can work for two years in the city, he said, and earn enough to build a house. Already, Minister Yin said, rural migrants make up 80 percent of the workforce in the construction and catering industry in urban areas. He said large cities like Beijing and Shanghai would "collapse" without migrant workers. To respond to this challenge, and better protect migrants' rights and interests, Minister Yin

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said MOHRSS is creating a new Migrant Labor department.

10. (SBU) MOHRSS Vice Minister Hu Xiaoyi said the main challenge is ensuring equal employment opportunity for migrants, including through the provision of free job placement services. Social insurance for migrants is another major problem. Vice Minister Hu said it is relatively easy to provide health and work injury insurance for migrants, but very difficult to provide pension insurance under the current structure of China's pension system. Hu said MOHRSS is working to design a special, portable pension system specifically for migrant workers.

Maintaining Job Opportunities in an Innovation Society

11. (SBU) Secretary Chao asked how China intends to provide jobs for its large workforce, even as government policy encourages innovation and the private sector turns to labor saving technology. She noted China's rapidly rising wages and fast-growing service sector, and asked how China would help its labor force make the transition from labor-intensive industry to service sector employment. Minister Yin said MOHRSS sees no inconsistency between the government's innovation program and job creation. He said China's labor market has enough potential to absorb new workers, and described a series of government measures to retrain the labor force and promote employment. He noted that Vice-Premier Zhang Dejiang chairs an interagency task force to promote job creation nationwide. Government measures include soft loans, tax incentives and other financial incentives to promote job creation. Minister Yin said the government believes that employment is essential to economic well-being and social stability.

¶12. (SBU) Minister Yin said MOHRSS recognizes that a relative shortage of talented and skilled workers in China is an obstacle to technological innovation and the development of the service sector. He said MOHRSS is addressing this problem through programs to upgrade the skills of professionals, high-skilled workers and rural migrant workers. He said China has 13,000 vocational high schools, and that local government labor bureaus manage another 3,000 vocational schools in rural areas. The government provides subsidies for vocational training, and schools target the hotel industry and other fast-growing sectors of the economy. Minister Yin said rising wages were due to market forces, but that MOHRSS also has a mandate to provide voluntary wage guidelines and set mandatory minimum wage standards.

¶13. (SBU) Minister Yin said China also hopes to attract foreign-trained skilled Chinese workers back from overseas. He noted that 1.2 million Chinese students have gone abroad to study since 1978, and that only about 25% returned to China. Yin mentioned that Beijing Life Science Institute, which has a research center that actively recruits Chinese experts studying overseas.

¶14. (SBU) Minister Yin said government initiatives to promote the development of small- and medium- sized enterprises, and high technology industries contribute to the development of an innovation society and create jobs. Yin acknowledged that some companies have been reducing operations in China and moving labor-intensive activities to Viet Nam and other countries. However, Yin said China has enough development potential to provide adequate job opportunities for its work force, especially in the high technology and service sectors.

Child Labor

¶15. (SBU) Secretary Chao asked how MOHRSS intended to deal with the problem of child labor. Yin said Chinese law already strenuously forbids child labor and that MOHRSS is creating a national labor inspectorate department, which will enable the Ministry to deal more severely with violations all types of laborlaw violations.

The Sichuan Earthquake

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¶16. (SBU) Secretary Chao expressed her condolences for the May 2008 Sichuan earthquake. Minister Yin said China was grateful to the United States Government and the American people for the assistance and support provided following the earthquake. Yin said MOHRSS is actively involved in relief efforts in earthquake-devastated areas in Sichuan, helping with job placement in affected areas, and encouraging other regions to actively recruit workers from earthquake-affected areas. These measures have created 800,000 jobs, Yin claimed. Yin said MOHRSS is also acting to ensure that residents of affected areas entitled to social insurance benefits are paid on time and in full.

¶17. (U) The Department of Labor cleared this message.

RANDT